



Milwaukee County

Supervisor John F. Weishan, Jr., 16th District

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PENSION OBLIGATION BONDS TOO RISKY FOR COUNTY TAXPAYERS

Milwaukee, WI – County Executive Scott Walker's persistent efforts to bankrupt Milwaukee County continue. His proposed Pension Obligation Bonding (POB) plan is a risk that Milwaukee County taxpayers cannot afford to take. This is the third year in a row that the County Executive has proposed to borrow money to finance upcoming pension obligations. It's amazing that he has had the guts to propose this three times after residents voted it down in a 2005 referendum, when it failed by a 58-42% margin. And that vote was for a possible \$260 million borrowing plan. Now, the County Executive is up to \$400 million. We should instead respect the wishes of Milwaukee County voters who said no.

Ordinarily, pension obligation bonds are simple financial tools used to help meet long-term pension needs. The problem with Scott Walker's approach is that his POBs are not tied to any long-term strategy to put Milwaukee County's pension fund on sound footing. Instead, he's only trying to create one-time budget savings.

The County Executive's premise is simple. Borrow money at 6.5% and invest it at an 8% rate of return. If only it were that simple or safe. In today's market, you have to have an exceptionally high threshold for risk, along with intense knowledge of very complex investing strategies, to achieve even meager returns. Few, if any, have this temperament when tax dollars are involved. The recent meltdown on Wall Street proves that the stock market is simply too volatile and too risky for taxpayer dollars.

Pension obligation bonding plans like Scott Walker's have been extremely difficult to predict. The few pension obligation bonds that have been issued in other jurisdictions do not provide a track record that is reliable. Some of those mixed results were disastrous when coupled with short-term budget savings.

The true solution to Milwaukee County's pension funding problem is to convene a roundtable summit that represents all stakeholders, including retirees, employees, union leaders and elected officials. I believe that, with the right strategy, we can develop a viable long-term plan that respects taxpayer investment and the pensions earned by Milwaukee County employees.

Even though this plan has Scott Walker's seal of approval, I hope the County Board sees the light and finds a better way to address our pension obligations. I, for one, will vote NO, and will instead respect the wishes of Milwaukee County voters, who spoke loud and clear that they do not want pension obligation bonds to be issued in Milwaukee County.

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